OREGON STEEL MILLS INC
Form S-3/A
September 20, 2004

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As filed with the Securities and Exchange Commission on September 20, 2004

Registration No. 333-118959

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1 TO FORM S-3

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

OREGON STEEL MILLS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**1000 S.W. Broadway, Suite 2200** **Portland, Oregon 97205** **(503) 223-9228** (Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)	**94-0506370** (I.R.S. Employer Identification No.)

L. Ray Adams, Vice President, Finance
Oregon Steel Mills, Inc.
1000 S.W. Broadway, Suite 2200
Portland, Oregon 97205

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Carmen Calzacorta, Esq. **Schwabe, Williamson & Wyatt, P.C.** **1211 S.W. Fifth Avenue, Suites 1600-1900** **Portland, Oregon 97204** **(503) 222-9981**	**Richard L. Muglia, Esq.** **Skadden, Arps, Slate, Meagher & Flom LLP** **4 Times Square** **New York, New York 10036** **(212) 735-3000**

Approximate date of commencement of proposed sale to the public: *As soon as practicable after this Registration Statement becomes effective.*

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being offered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated September 20, 2004

PRELIMINARY PROSPECTUS

7,500,000 Shares

OREGON STEEL MILLS, INC.

Common Stock

We are offering 7,500,000 shares of our common stock.

Our common stock is traded on the New York Stock Exchange under the symbol "OS." The closing sale price on September 17, 2004 as reflected on the New York Stock Exchange, was $15.64 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 8.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these shares or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Price to the public	$	$
Underwriting discount		
Proceeds to us		

We have granted the underwriters an option to purchase up to 1,125,000 additional shares of our common stock to cover over-allotments.

The underwriters are offering the common stock as set forth under "Underwriting." Delivery of the shares will be made on or about , 2004.

CIBC World Markets **UBS Investment Bank**

Jefferies & Company, Inc. **KeyBanc Capital Markets**

D.A. Davidson & Co.

The date of this prospectus is , 2004

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PROSPECTUS SUMMARY

This summary highlights information contained in other parts of this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in the shares. You should read this entire prospectus carefully. Unless the context otherwise requires, references to "we," "us" or "our" refer collectively to Oregon Steel Mills, Inc. and its subsidiaries.

Our Company

We are a leading minimill steel producer with one of the broadest lines of specialty and commodity steel products of any domestic minimill company. We own two steel mills and have nine finishing facilities in the Western United States and Alberta, Canada.

We are focused on serving customers operating in diverse end markets west of the Mississippi River and in Western Canada. Our geographic location enables us to capitalize on a transportation cost competitive advantage in our market and contributes to the stability of our operating results. This market typically exhibits a favorable supply / demand balance as there are few competitors producing in the geographic area. There is a significant transportation cost associated with shipping steel products from other domestic and overseas locations into our market. Our manufacturing flexibility enables us to meet demanding customer specifications in a timely fashion and actively manage our product mix in response to changes in customer demand and individual product cycles.

Through strategic acquisitions and selective capital additions, we have: (i) increased shipments of steel products from approximately 750,000 tons in 1991 to over 1.6 million tons in 2003, (ii) expanded our range of finished products from two in 1991, discrete plate and large diameter welded pipe, to nine currently by adding electric resistance welded ("ERW") pipe, rail, rod, bar, seamless pipe, coiled plate, and structural tubing, (iii) increased our emphasis on higher margin specialty steel products, and (iv) focused on our primary selling region west of the Mississippi River and Western Canada.

Our two business units are the Oregon Steel Division and the Rocky Mountain Steel Mills ("RMSM") Division.

- The Oregon Steel Division is centered on our Portland mill, a steel minimill with a Steckel combination mill that produces steel plate and coil for the division's steel plate heat treating, structural tubing, and large diameter and ERW pipe finishing facilities. Our Portland mill is the only hot rolled steel plate mill in the 11 Western states and is focused on selling plate and coil in the core markets of the Pacific Northwest.

- The RMSM Division consists of the steelmaking and finishing facilities of CF&I Steel, L.P. located in Pueblo, Colorado. The Pueblo mill is a steel minimill which supplies steel for our rail, rod and bar, and seamless tubular finishing mills. The Pueblo mill operates the only rail facility west of the Mississippi River, and is one of only two established rail manufacturers in North America.

For 2004, we expect to ship approximately 1.72 million tons of steel products and generate approximately $1 billion in sales. The Oregon Steel Division expects to ship approximately 615,000 tons of plate and coil, 175,000 tons of welded pipe, and 70,000 tons of structural tubing. The RMSM Division expects to ship approximately 362,000 tons of rail and 500,000 tons of rod and bar products.

Our Recent Initiatives

In May 2003, we closed our Portland mill melt shop, thereby eliminating a significant percentage of our Portland mill's fixed costs. We are currently producing finished product by processing semi-finished steel slab ("steel slab") purchased on the open market. We believe this revised business strategy will help stabilize our financial performance by substantially lowering fixed costs and allowing us to manage the margin between finished product selling prices and the cost of steel slab.

On July 31, 2003, we named James E. Declusin President and Chief Executive Officer. Mr. Declusin has over 30 years of experience in the steel industry. In 2000, Mr. Declusin joined our board of directors after a successful career with California Steel Industries where he was Senior Executive Vice President and Chief Operating Officer.

In October 2003, we leased, with an option to buy, Columbia Structural Tubing ("CST"), a structural tubing facility close to our Portland mill. CST is the former LTV Structural Tube Facility and was not operating at the time of the lease. CST provides significant operational synergies with our Portland mill by increasing capacity utilization and yields, helping to reduce overall costs per ton. In addition, CST's structural tubing sales have enhanced our operating income. Since October 2003, we have increased tons sold from this facility each month as we further develop the structural tubing market in our primary selling region.

On January 15, 2004, we announced a tentative agreement to settle the six-year labor dispute between the United Steelworkers of America (the "Union") and CF&I Steel, L.P. ("CF&I"). On March 12, 2004, the Union voted to accept the proposed agreement. On September 10, 2004, we finalized the settlement, and we now have new five-year collective bargaining agreements in place. This settlement represents a breakthrough in employee relations for us and we believe it will help provide additional operational stability.

In June 2004, we announced that we would be indefinitely idling our Napa, California large diameter steel pipe mill and fabrication facility. This will further reduce our fixed costs and improve our operational efficiencies. The steel plate that was being allocated to the Napa pipe mill from the Portland mill will be redirected to our plate and coil customers and our structural tubing and Canadian line pipe businesses.

In July 2004, our board of directors approved the construction of a spiral weld facility at or near our Portland mill. The project as approved would consist of two pipe mills with a capacity of approximately 150,000 tons, depending on product mix, capable of producing large diameter line pipe from 20" to 60" in diameter, in wall thicknesses of 1/4" to 1", and in lengths of up to 80 feet. The approved budget for the project is approximately $35 million and we expect the project to be completed during the fourth quarter of 2005. We intend to use a portion of the net proceeds from this offering for the project. See "Use of Proceeds."

Our Strengths

Flexible and Diverse Product Portfolio: We currently have nine finishing facilities centered on our two primary steel operations. As a result, we are able to adjust our product mix as market conditions change to the products that generate higher margins. This allows us to produce a variety of specialty and commodity products, more efficiently balance capacity utilization, take advantage of niche market opportunities, and meet diverse customer needs not serviced by our competitors. For example, we can shift production at our Portland mill among specialty plate, commodity plate, and coiled plate. In addition, the Portland mill can produce coiled plate for structural tubing at CST and discrete plate and coil for line pipe at our pipe mills. At RMSM, we are able to switch production between our rail, rod and bar, and seamless tubular finishing facilities. We believe we are better able to weather downturns in particular end markets than some of our less diversified competitors, reducing our sensitivity to economic cycles.

High Margin Specialty Steel Products: We plan to continue our emphasis on specialty steel products, which enable us to focus on markets with barriers to entry, premium pricing, and less competition. Our specialty products include structural tubing, heat treated and other specialty plate, welded line pipe, high-carbon rod, and deep head-hardened ("DHH") rail, a highly durable rail product that commands a higher price than standard rail. We are one of only two established North American producers of rail for the railroads and the sole North American licensee of Nippon Steel's proprietary DHH rail technology. The recently leased CST facility produces high margin structural tubing by further processing coil provided almost exclusively by the Portland mill.

Market Focus: Our Portland mill is the only plate mill in the 11 Western states and our Pueblo mill is the only rail facility west of the Mississippi River. Competition from Midwestern and Eastern United States steel manufacturers is limited by the significant additional transportation costs to be incurred if they decided to ship products to the West Coast. We are currently facing only limited competition from imports due to the weak United States dollar, high ocean freight rates, and substantial demand for steel products in Asia.

Variable Cost Structure: In May 2003, we shut down our Portland mill melt shop. The determination to close the melt shop was based, in part, on high energy costs and yield losses associated with the inefficient casting technology in use at the Portland mill. We are currently producing finished product by processing steel slab purchased on the open market. This initiative significantly lowered our fixed costs and helped to stabilize our operation. We are now focused on managing the margin between finished product selling prices and the cost of steel slab.

We produce steel at our minimill at the Pueblo mill utilizing an electric arc furnace ("EAF"). The EAF method of producing steel provides numerous advantages over integrated steel producers using blast furnaces. Minimills have more efficient labor utilization and lower ratios of fixed costs to variable costs than integrated steel producers.

Efficient and Modern Manufacturing Facilities: Over the past ten years, we have invested approximately $450 million in capital expenditures for our production facilities, including steelmaking upgrades and a combination rod and bar mill at the Pueblo mill, a Steckel combination mill at the Portland mill and a temper mill cut-to-length line adjacent to the Portland mill built as part of a joint venture with Feralloy Corporation. Additionally, in October 2003, we leased CST, a nearby state-of-the-art structural tubing facility that was constructed in 2000. These investments have increased yields, improved efficiency, and diversified our product mix, and will allow us to incur minimal capital expenditures in the near future.

Experienced Management Team: We have a strong and experienced senior management team who have an average of 24 years of experience in the steel industry. See "Management." In 2003, we hired several experienced senior managers for our Portland mill which has been an important factor in the improved operational performance of our Oregon Steel Division.

Our Strategy

We aim to continue to improve our position as a cost-efficient producer of specialty and commodity steel products. We strive to identify and implement programs to reduce production costs, diversify our product mix, enhance performance, and improve operating margins through:

- using free cash flow generation to improve our liquidity;

- operating manufacturing facilities capable of responding to changes in customer demand and individual product cycles;

- emphasizing the production of higher margin specialty steel products;
- investing in efficient and flexible manufacturing technology; and
- maintaining tight cost and quality controls.

Corporate Information

We were founded in 1926 by William G. Gilmore and were incorporated in California in 1928. We were reincorporated in Delaware in 1974. Our executive offices are located at 1000 SW Broadway, Suite 2200, Portland, Oregon 97205, and our telephone number is (503) 223-9228.

The Offering

Common stock offered by Oregon Steel Mills, Inc.	7,500,000 shares
Common stock to be outstanding after this offering	34,197,504 shares
NYSE symbol	OS
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately $111.0 million, assuming an offering price of $15.64 per share. We intend to use (1) approximately $62.6 million (assuming the offering price will be $15.64 per share) of the net proceeds to satisfy an obligation in connection with the settlement of the labor dispute with the Union and (2) approximately $35 million of the net proceeds to construct a spiral weld pipe mill at our Portland mill. We will use the remaining net proceeds for general corporate purposes, which may include capital expenditures, including completion of the conversion to the new furnace at the Pueblo mill, possible acquisitions of businesses, technologies, products or assets complementary to our business, funding of working capital, enhancement of liquidity, or reduction of debt. See "Use of Proceeds."
Over-allotment option	We have granted the underwriters a 30-day option to purchase up to 1,125,000 additional shares of our common stock to cover over-allotments.
Risk factors	You should read carefully the "Risk Factors" beginning on page 8 of this prospectus before making an investment in our common stock.

The number of shares of our common stock to be outstanding after this offering is based on the number of shares of our common stock outstanding as of the date of this prospectus and does not include:

- options to acquire an aggregate of 649,468 shares outstanding as of August 31, 2004; and
- shares that may be purchased by the underwriters to cover over-allotments, if any.

Unless otherwise stated, all information contained in this prospectus assumes no exercise of the over-allotment option granted to the underwriters. See "Underwriting."

Summary Consolidated Financial Data

The following table presents our summary consolidated financial data as of the end of and for each year in the three-year period ended December 31, 2003, which have been derived from our consolidated financial statements that have been audited by KPMG LLP as of the end of and for the year ended December 31, 2003 and PricewaterhouseCoopers LLP as of December 31, 2002 and for each of the two years in the period then ended. The table also presents our summary consolidated financial data for the six months ended June 30, 2004 and 2003, which are derived from our unaudited condensed consolidated financial statements which, in our opinion, reflect all adjustments necessary for a fair presentation. The consolidated balance sheets as of December 31, 2003 and 2002 and June 30, 2004, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years ended December 31, 2003 and the six months ended June 30, 2004 and 2003 and the notes thereto appear elsewhere in this prospectus. Results for the six months ended June 30, 2004 are not necessarily indicative of results for the full year. The summary consolidated financial data presented below should be read in conjunction with, and are qualified in their entirety by, "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and the notes thereto, and other financial information included elsewhere in this prospectus.

	Six Months Ended June 30		Year Ended December 31		
	2004	2003	2003	2002	2001
	(unaudited)				
	(in thousands, except tonnage, per ton, and per share amounts)				
Income Statement Data:					
Sales	$ 534,165	$ 365,576	$ 723,297	$ 904,950	$ 780,887
Cost of sales	427,372	359,607	713,601	783,940	694,941
Fixed and other asset impairment charges		36,113	36,113		
Labor dispute settlement charges	38,868		31,089		
Selling, general and administrative expenses	27,683	24,925	50,477	58,600	64,300
Settlement of litigation					(3,391)
Loss (gain) on sale of assets	(293)	(274)	(1,835)	(1,283)	(10)
Incentive compensation	5,088	339	354	3,761	244
Operating income (loss)	35,447	(55,134)	(106,502)	59,932	24,803
Interest expense	(17,029)	(16,561)	(33,620)	(36,254)	(35,595)
Minority interests	1,614	2,462	6,108	(3,036)	(339)
Other income, net	1,472	735	1,448	961	3,044
Income (loss) before tax	21,504	(68,498)	(132,566)	21,603	(8,087)
Income tax benefit (expense)	41	7,525	6,617	(9,244)	2,159
Net income (loss) before cumulative effect of change in accounting principle	21,545	(60,973)	(125,949)	12,359	(5,928)
Cumulative effect of change in accounting principle, net of tax				(17,967)	
Net income (loss)	$ 21,545	$ (60,973)	$ (125,949)	$ (5,608)	$ (5,928)
Common Stock Information:					
Basic earnings (loss) per share	$ 0.81	$ (2.31)	$ (4.77)	$ (0.21)	$ (0.22)
Diluted earnings (loss) per share	$ 0.81	$ (2.31)	$ (4.77)	$ (0.21)	$ (0.22)
Cash dividends declared per share	$	$	$	$	$
Weighted average common shares and common equivalents outstanding:					
Basic	26,535	26,388	26,392	26,388	26,378
Diluted	26,704	26,388	26,392	26,621	26,378

	Six Months Ended June 30		Year Ended December 31		
	2004	2003	2003	2002	2001
	(unaudited)				
	(in thousands, except tonnage, per ton and per share amounts)				
Other Data:					
Capital expenditures	$ 9,461	$ 11,618	$ 19,754	$ 18,246	$ 12,933
Depreciation and amortization	19,499	21,691	40,809	45,868	46,097
EBITDA	58,032	(30,246)	(58,137)	85,758	73,605
EBITDA excluding effects of fixed and other asset impairment charges, labor dispute settlement charges, and settlement of litigation	$ 96,900	$ 5,867	$ 9,065	$ 85,758	$ 70,214
Total tonnage sold:					
Oregon Steel Division	447,200	364,800	740,700	947,000	829,700
RMSM Division	460,500	456,800	894,100	836,500	780,900
Total tonnage sold	907,700	821,600	1,634,800	1,783,500	1,610,600
Revenue per ton sold	$ 588	$ 445	$ 442	$ 507	$ 485
EBITDA per ton sold	$ 64	$ (37)	$ (36)	$ 48	$ 46
EBITDA excluding effects of fixed and other asset impairment charges, labor dispute settlement charges, and settlement of litigation, per ton sold	$ 107	$ 7	$ 6	$ 48	$ 44
Operating income (loss) per ton sold	$ 39	$ (67)	$ (65)	$ 34	$ 15

	As of June 30, 2004 (in thousands)	
	Actual	As Adjusted(1)
	(unaudited)	
Balance Sheet Data:		
Cash and cash equivalents	$ 52,958	$ 163,980(2)
Net working capital	178,536	289,558
Net property, plant and equipment	482,189	482,189
Total assets	823,557	934,579
Long-term debt, including current portion	311,550	311,550
Total stockholders' equity	209,118	320,140

(1) Gives effect to the sale by us of 7,500,000 shares of common stock in this offering (without giving effect to the exercise of the underwriters' over-allotment option), at the assumed public offering price of $15.64 per share and our receipt of the estimated net proceeds therefrom. See "Capitalization."

(2) Includes approximately $62.6 million (assuming the offering price will be $15.64 per share), which we intend to use to satisfy an obligation in connection with the settlement of the labor dispute with the Union. See "Use of Proceeds."

EBITDA, as used in the table above, is defined as the sum of consolidated net income (loss), consolidated depreciation and amortization expenses, consolidated interest expense, and consolidated income tax expense or benefit. This definition of EBITDA may not be the same as that of similarly named measures used by other companies or the definition used in any of our debt agreements.

We believe that EBITDA is useful to investors because it is a basis upon which we assess our financial performance, it provides useful information regarding our ability to service our debt, and because it is a commonly used financial analysis tool for measuring and comparing companies in several areas of liquidity, operating performance, and leverage. We believe EBITDA excluding effects of fixed and other asset impairment charges, labor dispute settlement charges, and settlement of

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litigation is useful to investors because we believe the excluded items are nonrecurring, except for additional labor dispute settlement charges that may occur based on the market value of our shares of common stock. See "Business Labor Matters." Therefore, we believe this financial measure is more useful to investors when comparing the reported results to previous periods.

Neither of these measures is determined in accordance with generally accepted accounting principles, are unaudited and should not be considered an alternative to, or more meaningful than, net income or income from operations, as an indicator of our operating performance, or cash flows from operating activities, as a measure of liquidity.

The following table provides a reconciliation of net income (loss) to (1) EBITDA and (2) EBITDA excluding effects of fixed and other asset impairment charges, labor dispute settlement charges, and settlement of litigation:

	Six Months Ended June 30		Year Ended December 31		
	2004	2003	2003	2002	2001
	(unaudited)				
	(in thousands)				
Net income (loss)	$ 21,545	$ (60,973)	$ (125,949)	$ (5,608)	$ (5,928)
Income tax provision (benefit)	(41)	(7,525)	(6,617)	9,244	(2,159)
Interest expense, net	17,029	16,561	33,620	36,254	35,595
Depreciation and amortization	19,499	21,691	40,809	45,868	46,097
EBITDA	58,032	(30,246)	(58,137)	85,758	73,605
Add back (less):					
Fixed and other asset impairment charges		36,113	36,113		
Labor dispute settlement charges	38,868		31,089		
Settlement of litigation					(3,391)
EBITDA excluding effects of fixed and other asset impairment charges, labor dispute settlement charges, and settlement of litigation	$ 96,900	$ 5,867	$ 9,065	$ 85,758	$ 70,214

RISK FACTORS

You should carefully consider the following risk factors, together with other information contained or incorporated by reference in this prospectus, in evaluating whether to invest in our shares.

Risks Related to Our Business

Until recently, the steel industry had been experiencing weak demand for products, excess capacity and low prices, and if those conditions return we could be required to reduce prices for our products and our profitability could be adversely impacted.

In recent years, the steel industry has faced weakened demand, overcapacity and low prices for products, and these conditions caused a significant number of domestic companies in the steel industry to file for bankruptcy, including some that are substantially larger than us. Our operating results were affected in 2003 by, among other things, reduced demand and pricing for welded pipe products and increased pricing pressure in plate and coil products and higher scrap and energy costs. The specialty and commodity plate and coil markets have been impacted by both new sources of domestic supply and continued imports from foreign suppliers, which have adversely affected average selling prices for our plate products. In addition, we believe that high fixed costs motivate steel producers to maintain high output levels even in the face of falling prices, thereby increasing further downward pressures on selling prices.

Demand for steel products in Asia, a weak United States dollar, high ocean freight cost, improving conditions in the manufacturing economy, and reduced United States steel production capacity have significantly reduced worldwide oversupply and excess capacity. As a result, in 2004, we, and the domestic steel industry in general, have seen significant increases in the selling price of steel products and as a result, our net revenues and profitability have significantly increased.

However, if the domestic steel industry again experiences reduced demand, overcapacity and reduced selling prices for steel products, our ability to realize our target profit margins will be impaired and our results of operations could be materially and adversely affected.

The inputs used to produce our products are subject to price fluctuations that could increase our costs of production and adversely affect our profitability.

Our principal raw material for the Pueblo mill is ferrous scrap metal derived from, among other sources, junked automobiles, railroad cars and railroad track materials and demolition scrap from obsolete structures, containers, and machines. In addition, direct-reduction iron, hot-briquetted iron, and pig iron (collectively "alternate metallics") can substitute for a limited portion of the scrap used in EAF steel production, although the sources and availability of alternate metallics are substantially more limited than those of scrap. The purchase prices for scrap and alternate metallics are affected by cyclical, seasonal, and other market factors. Prices also fluctuate on the basis of factors affecting supply, such as demand from domestic and foreign steel producers, periodic shortages, freight costs, speculation by brokers, export markets, and other conditions. Most of these factors are beyond our control. The cost of scrap and alternate metallics to us can vary significantly, and our product prices often cannot be adjusted, especially in the short-term, to recover the costs of increases in scrap and alternate metallics prices. In addition, an increase in specific utility or service costs could have an adverse effect on our margins if we are unable to pass along the higher costs to our customers.

In recent years, we purchased material quantities of steel slabs on the open market for use in the production of plate and coiled plate. Due to the closure of our melt shop, we expect steel slab purchases to represent 100% of our production needs for plate and coiled plate in 2004 and into the foreseeable future. We purchase steel slabs on the spot market. While we do have ongoing procurement relationships, we do not have any long-term steel slab supply agreements. The steel slab market and pricing are subject to significant volatility, and steel slabs may not be available at reasonable prices in the future or at the times and in the quantities we need to satisfy our customers. The recent increase in demand in Asia, a weak United States dollar, and the increase in ocean freight costs have added to price volatility, and we expect this situation to remain unsettled until demand in Asia stabilizes.

Supply limitations or delays, including as a result of trade tariffs or quotas or port closures, would constrain our production and could materially and adversely affect our sales and profitability.

As described above, we purchase material quantities of steel slabs on the open market for use in the production of plate and coiled plate because, following the addition of the Steckel combination mill to the Portland mill in 1998, the production of steel plate and coiled plate has exceeded the steel slab production of the Portland mill. Due to the closure of our melt shop, we expect steel slab purchases to represent 100% of our production needs for plate and coiled plate in 2004 and into the foreseeable future.

The imposition of tariffs pursuant to trade laws and regulations can have an adverse impact on our business by placing tariffs and tariff-rate quotas on the import of steel slabs and raising the prices of steel slabs which we require as raw material for our production. On March 5, 2002, President Bush announced temporary measures on imports of ten categories of steel products. These measures took the form of tariffs ranging from 8 to 30 percent, as well as a tariff-rate quota on steel slab. On December 4, 2003, President Bush announced his decision to terminate the safeguard measures fifteen months before the scheduled end date of March 5, 2005, but reserved the option of introducing new measures should steel imports again surge into the United States. Since the lifting of the tariffs, the United States steel industry has seen dramatic increases in both the cost of raw materials and the selling price of most steel products. Future impositions of tariffs or quotas could limit our access to steel slabs at reasonable cost, or at all, and could consequently have a material adverse effect on our production, sales levels, operating margins, and profitability.

We purchase steel slab from a number of foreign producers. Any interruption or reduction in the supply of steel slab may make it difficult or impossible to satisfy customers' delivery requirements, which could have a material adverse effect on our results of operations. Thus far in 2004, our major suppliers of steel slab have been Ispat Mexicana S.A. de C. V. of Mexico and Companhia Siderúrgica de Tubarão, a Brazilian company. Any interruption of supply from these suppliers could have a material adverse effect on our results of operations. Most of the steel slabs we purchase are delivered by ship. Any disruption to port operations, including those caused by a labor dispute involving longshoreman or terrorism, could materially impact the supply or the cost of steel slabs, which could have a material adverse effect on our production, sales levels, and profitability.

In addition, there may be interruption or limitations in supply in the future. A disruption or curtailment in the supply of any of these or other inputs could constrain our production in general or require us to reallocate resources, thereby constraining our production of more profitable products.

We service cyclical industries and generally do not have long-term contracts with our customers, and therefore any downturn in these industries could reduce our revenue and profitability.

We sell many products to cyclical industries, such as the rail transportation, construction, capital equipment, oil and gas, and durable goods segments. Their demand for our products changes as a result of economic conditions, energy prices or other factors beyond our control. For example, the demand for our rail products is impacted by seasonal demand, as dictated by the major railroads' procurement schedules. Demand for oil country tubular goods, which includes seamless pipe, can be subject to seasonal factors. Overall demand for these goods also is subject to significant fluctuations due to the volatility of the oil and gas prices and North American drilling activities, as well as other factors such as competition from imports. As a result of the volatility of the industries we serve, we may have difficulty increasing or maintaining our sales and profitability if we are not able to divert sales of our products to customers in other industries when one or more of our customers' industries is experiencing a decline.

We do not have any significant ongoing contracts with customers, and orders placed with us generally are cancelable by the customer prior to production. We do have contracts ranging from one year to three years with the major railroads, but these customers may not take delivery of their projected requirements or may terminate their contract with less than 60 days' advance notice. In addition, many of our contracts may be terminated by us or the customer before delivery of the full contracted amount.

Our product mix and levels of production and sales therefore are subject to fluctuations and curtailments in the demands of our customers for our products. For example, we made the decision to shut down our seamless pipe operation from November 2001 to April 2002, from mid-August 2002 to mid-September 2002, and from mid-November 2003 to date and the Napa pipe mill in July 2004 because of weakened demand in the oil and gas sector. Changes in our product mix can materially affect our operating results due to variation in the selling prices and profit margins of products.

Increased levels of imports could have an adverse effect on our business.

Foreign competition historically has adversely affected product prices in the United States and the tonnage sold by domestic producers. Fluctuations in the value of the United States dollar against several other currencies substantially affect the intensity of foreign competition. Foreign governments control or subsidize many foreign steel producers. Decisions by these producers concerning production and exports may be influenced, in part, by political and social policy considerations as well as by prevailing market conditions and profit opportunities. Economic and currency dislocations in foreign markets may encourage importers to target the United States with excess capacity at aggressive prices. Moreover, existing trade laws and regulations may be inadequate to prevent unfair trade practices concerning these imports that could pose increasing problems for us and the rest of the domestic steel industry. Any such competition may have an adverse effect on our production, sales, operating margins, and profitability.

Our substantial amount of debt could materially and adversely affect our financial health in a number of ways, including limiting our ability to obtain additional financing and reducing our ability to use cash flow for purposes other than debt payments, and prevent us from fulfilling our obligations under our outstanding debt.

At June 30, 2004, we had $311.6 million of total debt, $823.6 million of total assets and $209.1 million of total stockholders' equity, and our total debt as a percentage of total capitalization was approximately 59.8%. All of our debt is secured by our and our subsidiaries' assets.

This debt could have material adverse consequences for you and for us, including but not limited to:

- making it more difficult for us to satisfy our obligations with respect to our outstanding debt;

- increasing our vulnerability to adverse economic and industry conditions or a downturn in our business;
- limiting our ability to obtain additional financing;
- requiring a substantial portion of our cash flow from operations to be used for debt payments and reducing our ability to use cash flow to fund working capital, capital expenditures, development projects, acquisitions, and other general corporate purposes;
- requiring us to comply with restrictive covenants and limitations;
- limiting our flexibility in planning for, or reacting to, changes in our business and our industry; and
- placing us at a disadvantage to competitors with less debt or greater resources.

If we are unable to satisfy our obligations under our debt, it could result in all of our debt becoming immediately due and payable and could permit our lenders to foreclose on our and our subsidiaries' assets securing the debt.

We may not be able to generate sufficient cash flow to service our debt which could prevent us from fulfilling our obligations under our outstanding debt.

We may not be able to generate sufficient cash flow to service our debt, to repay our debt when due or to meet unanticipated capital needs. We plan to service interest payments on our debt with cash from operations. Our cash from operations, however, may not be sufficient to repay the principal of our debt when due.

Our ability to generate sufficient cash flow to satisfy our obligations will depend on our future performance, which is subject to many economic, political, competitive, regulatory, and other factors that are beyond our control. In addition, we face potential costs and liabilities associated with environmental compliance and remediation issues. If cash from operations is not sufficient to satisfy our obligations, we may need to seek additional financing in the debt or equity markets, refinance our debt, sell selected assets or reduce or delay planned activities and capital expenditures. Any such financing, refinancing or sale of assets might not be available on economically favorable terms, if at all. If we cannot meet our debt service requirements an event of default would occur under our debt instruments. This could result in all of our debt becoming immediately due and payable and could permit our lenders to foreclose on our and our subsidiaries' assets securing the debt.

We face significant competition in our principal markets, and increased competition could reduce our gross margins and net income.

The principal markets that we serve are highly competitive. We compete with other steel manufacturers primarily on the basis of product quality, price, and responsiveness to customer needs. Many of our competitors are larger and have substantial capital resources. Consolidation of our competitors and the purchase by our competitors of assets of producers that have exited the industry has increased the size of some of our competitors. Foreign producers have had, and may in the future have, a significant impact on our ability to compete, depending upon various factors, including the level of domestic prices, global and regional steel demand, exchange rates, import restrictions, and foreign subsidies. While we are one of two established North American manufacturers of rail for the railroads, foreign suppliers compete with us in the domestic rail market. In addition, one United States steel company has announced that it plans to start shipping non-specialty rail sometime in 2004. Increased competition, especially combined with excess production capacity in some products, could force us to lower our prices or to offer increased services at a higher cost to us, which would reduce our gross margins and net income.

Unplanned repairs or equipment outages could interrupt production and reduce income or cash flow.

Our operations depend upon critical pieces of equipment, such as electric arc furnaces, semi-finished casters, and rolling mills that may occasionally be out of service due to routine scheduled maintenance or equipment failures. Any unplanned unavailability of critical equipment would interrupt our production capabilities and reduce our sales and profitability. Although we have not recently experienced any equipment failures that have resulted in the complete shutdown of a major portion of our production for a significant period, we have experienced unscheduled equipment outages in the past and we could have material shutdowns in the future.

The resolution of pending environmental actions and our costs of compliance with environmental orders and regulations may materially and adversely affect our competitiveness and profitability.

We are subject to extensive federal, state, and local environmental laws and regulations concerning, among other things, wastewater, stormwater, air emissions, toxic use reduction and hazardous materials storage, handling, and disposal. Like other similar steel mills in the industry, the Pueblo mill generates, and the Portland mill has in the past generated, hazardous waste from the melting operation of the electric arc furnaces, primarily dust containing heavy metals. We are subject to increasingly stringent environmental standards, including those relating to air emissions, waste water and stormwater discharge and hazardous materials use, storage, handling, and disposal, and will likely be required to make additional expenditures, which could be significant, relating to environmental matters on an ongoing basis. Furthermore, although we have established reserves for environmental remediation, the cost of remedial measures that might eventually be required by environmental authorities may exceed those reserves. In addition, additional environmental claims, requiring further remedial expenditures in excess of our reserves, might be asserted by environmental authorities or private parties. We also may be subject to legal proceedings brought by private parties or governmental agencies with respect to environmental matters. Expenditures related to these matters could have a material adverse effect on our business.

Expenditures or proceedings of the nature described above, or other expenditures or liabilities resulting from hazardous substances located on our property or used or generated in the conduct of our business, or resulting from circumstances, actions, proceedings or claims relating to environmental matters, may have a material adverse effect on us by reducing profitability and cash available for other uses. At June 30, 2004, our financial statements reflected total accrued liabilities of $31.0 million to cover future costs arising from environmental issues relating to our properties. Our actual future expenditures, however, for installation of and improvements to environmental control facilities, remediation of environmental conditions existing at our properties and other similar matters cannot be conclusively determined and expenditures in excess of our accrual could have a material adverse effect on our business by reducing our profitability and cash available for other uses.

We own or have owned properties and conduct or have conducted operations at properties which have been assessed as contaminated with hazardous or other controlled substances or as otherwise requiring remedial action under federal, state or local environmental laws or regulations. As a result, we are subject to several actual or potential environmental remediation obligations and potential environmental related liabilities, including the following:

- We entered into a Voluntary Clean-up Agreement with the Oregon Department of Environmental Quality ("DEQ") in May 2000 committing us to conduct a full remedial investigation of, whether and to what extent, past or present operations at the Portland mill might have affected sediment quality in the Willamette River. Based on preliminary findings, we are conducting a full remedial investigation ("RI"), including areas of investigation throughout the Portland mill, and we have committed to implement source control if required. Our best estimate for costs of the RI study is $853,000 over the next two years. Accordingly, we have accrued a liability of $853,000 as of June 30, 2004. Based on the results of the RI, the DEQ may require us to incur costs associated with additional phases of investigation, remedial action or implementation of source controls. While insurance is covering the costs of the investigation, subject to a standard reservation of rights, any additional actions we are required to take by the DEQ could cause us to incur costs either in excess of available insurance amounts or not covered by insurance, which could have a material adverse effect on our results of operations.

We, along with 68 other entities, have been identified by the United States Environmental Protection Agency ("EPA") in a general notice letter as a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") with respect to contamination in a portion of the Willamette River that has been designated as the "Portland Harbor Superfund Site." The letter advised us that we may be liable for costs of remedial investigation and remedial action at the site, which liability, under CERCLA, may be joint and several with other PRPs. The letter also advised us that we may be liable for natural resource damages that may be associated with any releases of contaminants, principally at the Portland mill site, for which we have liability. We have agreed, along with nine other PRPs, to fund certain investigations relating to the environmental condition of the site and to the assessment of damages to natural resources. We, along with eight of the nine other industrial and municipal parties, withdrew from the agreement, effective October 1, 2004, because of the inability to reach agreement with the trustees with respect to the assessment to be conducted. We intend to continue to work with interested parties to assess natural resource damages. In connection with these matters, we could incur costs associated with remedial action, natural resource damage, and natural resource restoration, which could have a material adverse effect on our results of operations.

In connection with the acquisition of the Pueblo mill, our subsidiary, CF&I, accrued a liability of $36.7 million for environmental remediation related to the prior owner's operations. In addition, as part of the postclosure permit requirements for hazardous waste units at the Pueblo mill, CF&I must conduct a corrective action program for the 82 solid waste management units at the facility and continue to address projects on a prioritized corrective action schedule. At June 30, 2004, the accrued liability was $27.5 million, of which $23.8 million was classified as non-current in our consolidated balance sheet. If the cost of remediation exceeds our accrual, or if regulatory authorities decide to accelerate the corrective action program schedule, our results of operations could be materially and adversely affected.

In May 2000, the EPA issued a final determination that one of the two electric arc furnaces at the Pueblo mill was subject to federal New Source Performance Standards Subpart AA ("NSPS AA"). This determination was contrary to an earlier "grandfather" determination first made in 1996 by the Colorado Department of Public Health and Environment ("CDPHE"). CF&I appealed the EPA determination in the federal Tenth Circuit Court of Appeals. The issue has been resolved by entry of a Consent Decree on November 26, 2003, and the Tenth Circuit dismissed the appeal on December 10, 2003. In that Consent Decree and overlapping with the commitments made to the CDPHE, CF&I committed to the conversion to the new furnace (to be completed approximately 21 months after permit approval and expected to cost, with all related emission control improvements, approximately $25.0 million) and to pay approximately $450,000 in penalties and fund certain supplemental environmental projects valued at approximately $1.1 million, including the installation of additional pollution control equipment at the Pueblo mill. Under this settlement, and a related settlement with the

CDPHE, we are subject to certain stipulated penalties if we fail to comply. In March 2004, the CDPHE notified CF&I of alleged violations of the state consent decree relating to opacity. In June 2004, the CDPHE assessed stipulated penalties of $270,000. On July 26, 2004, CF&I sought judicial review of the determination. At this time, no date for a hearing has been set. In addition to these assessed penalties, we may in the future incur additional penalties related to these matters. Such penalties may materially and adversely affect our results of operations and cash flows.

Approximately 795 of our employees belong to unions; any labor disruptions, work stoppages or significant negotiated wage increases could reduce our sales or increase our costs, and accordingly could have an adverse effect on our business.

Most of the employees at our Pueblo mill and our Camrose pipe mill belong to unions. Accordingly, CF&I and Camrose Pipe Company, our 60%-owned subsidiary, negotiate collective bargaining agreements with these unions. Any failure to reach agreement on new labor agreements when required might result in a work stoppage that could, depending upon the operations affected and the length of the work stoppage, have a material adverse effect on our operations. In addition, a contract may be renegotiated with significant increases in wages or other adverse economic terms, which would increase our costs and could reduce our profitability. Moreover, as part of the 2004 settlement with the Union, we will remain neutral, that is, we will not in any way, directly or indirectly, involve ourselves in any matter which involves the unionization of production and maintenance employees, starting on January 1, 2005 for the Portland mill and January 1, 2006 for the Napa pipe mill and CST. Our unionized employees consist primarily of hourly production workers.

We may be unable to satisfy regulatory requirements relating to internal controls over financial reporting.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that we evaluate and report on our internal controls over financial reporting and have our auditor attest to such evaluation. We have prepared an internal plan of action for compliance and we are in the process of documenting and testing our system of internal controls to provide the basis for our report. Due to ongoing evaluation and testing of our internal controls and the uncertainties of the interpretation of these new requirements, we cannot assure you that there may not be significant deficiencies or material weaknesses that would be required to be reported.

Senior management may be difficult to replace if they leave.

The loss of the services of one or more members of our senior management team or the inability to attract, retain and maintain additional senior management personnel could harm our business, financial condition, results of operations and future prospects. Our operations and prospects depend in large part on the performance of our senior management team, including our chief executive officer and president, James E. Declusin, our chief financial officer, L. Ray Adams, and the other members of the senior management team. We may not be able to find qualified replacements for any of these individuals if their services are no longer available. We do not have key man insurance on any executive.

Risks Relating to Our Common Stock

Certain provisions of our charter documents, Delaware law, and our stockholder rights plan could discourage potential acquisition proposals and could delay, defer or prevent a change in control of our company that our stockholders consider favorable and could depress the market value of our common stock.

Certain provisions of our certificate of incorporation and bylaws, provisions of the Delaware General Corporation Law, as well as our stockholder rights plan, could have the effect of deterring takeovers or delaying, deferring or preventing changes in control or management of our company that our stockholders consider favorable and could depress the market value of our common stock.

Our certificate of incorporation and bylaws provide for a classified board, that directors can only be removed for cause, and require advance notice of certain stockholder proposals and director nominations. These provisions may be deemed to have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the stockholder's shares.

We are a Delaware corporation subject to the provisions of Section 203 of the Delaware General Corporation Law, an anti-takeover law. Generally, this statute prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which such person became an interested stockholder, unless the business combination is approved in a prescribed manner. A business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the stockholder. We anticipate that the provisions of Section 203 may encourage parties interested in acquiring us to negotiate in advance with our board of directors because the stockholder approval requirement would be avoided if a majority of the directors then in office approve either the business combination or the transaction that results in the stockholder becoming an interested stockholder.

In addition, we have adopted a stockholder rights plan. The rights plan is designed to protect our stockholders in the event of unsolicited offers to acquire us and other coercive takeover tactics, which, in our board of directors' opinion, would impair its ability to represent our stockholders' interests. The rights plan may make an unsolicited takeover more difficult or less likely to occur or may prevent a takeover, even though a takeover may offer our stockholders the opportunity to sell their stock at a price above the prevailing market rate and may be favored by a majority of our stockholders.

Future sales of our common stock could depress our market price and diminish the value of your investment.

Future sales of shares of our common stock could adversely affect the prevailing market price of our common stock. If one of our existing stockholders sells a large number of shares, or if we issue a large number of shares, the market price of our common stock could significantly decline. Moreover, the perception in the public market that a stockholder might sell shares of common stock could depress the market for our common stock.

Although, we, our officers, and our directors have entered into lock-up agreements with CIBC World Markets Corp. and UBS Securities LLC, as representatives of the underwriters, whereby we and they will not offer, sell, contract to sell, pledge, grant or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for shares of our common stock, except for the shares of common stock to be sold in this offering and certain other exceptions, for a period of 90 days from the date of this prospectus, without the prior written consent of CIBC World Markets Corp. and UBS Securities LLC, we or any of these persons may be released from this obligation, in whole or in part, by CIBC World Markets Corp. and UBS Securities LLC in their sole discretion at any time with or without notice.

The price of our common stock may fluctuate substantially.

The market price of our common stock is likely to be highly volatile and may fluctuate substantially due to many factors, including:

- actual or anticipated fluctuations in our results of operations;
- variance in our financial performance from the expectations of market analysts;
- conditions and trends in the end markets we serve and changes in the estimation of the size and growth rate of these markets;
- announcements of significant contracts by us or our competitors;
- loss of one or more of our significant customers;
- legislation;
- changes in market valuation or earnings of our competitors;
- trading volume of our common stock; and
- general economic conditions.

In addition, the stock market in general, and the New York Stock Exchange and the market for steel companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of particular companies affected. These broad market and industry factors may materially harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted against that company. Such litigation, if instituted against us, could result in substantial costs and a diversion of management's attention and resources.

We currently do not intend to pay dividends on our common stock and, consequently, your best opportunity to achieve a return on your investment is if the price of our common stock appreciates.

We currently do not plan to declare dividends on shares of our common stock in the foreseeable future. Further, the payment of dividends by us is restricted by the indenture governing our 10% First Mortgage Notes due 2009 and by our credit facility. Consequently, your best opportunity to achieve a return on your investment in our company will be if the market price of our common stock appreciates and you sell your shares at a profit.

FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements," as defined by federal securities laws, with respect to our financial condition, results of operations and business, and our expectations or beliefs concerning future events. Statements made in this prospectus that are not statements of historical fact are forward-looking statements. In addition, from time to time, we and our representatives may make statements that are forward-looking. This section provides you with cautionary statements identifying important factors that could cause our actual results to differ materially from those contained in forward-looking statements made in this prospectus or otherwise made by us or on our behalf. You can identify these forward-looking statements by forward-looking words such as, but not limited to, "expect," "anticipate," "believe," "intend," "plan," "seek," "forecast," "estimate," "continue," "may," "will," "would," "could," "likely," and similar expressions.

All forward-looking statements involve risks and uncertainties. Many risks and uncertainties are inherent in the steel industry. Others are more specific to our operations. The occurrence of any of the events described, and the achievement of the expected results, depend on many events, some or all of which are not predictable or within our control. Because of such risks, uncertainties and assumptions, actual results may differ materially from expected results, and the forward-looking events described in the forward-looking statements may not occur. The following are some of the factors that could cause actual results to differ from our expectations:

- changes in market supply and demand for steel, including the effect of changes in general economic conditions and imports;
- changes in the availability and costs of steel scrap, steel scrap substitute materials, steel slab and billets and other raw materials or supplies used by us, as well as the availability and cost of electricity and other utilities;
- downturns in the industries we serve, including the rail transportation, construction, capital equipment, oil and gas, and durable goods segments;
- increased levels of steel imports;
- our substantial indebtedness, debt service requirements, and liquidity constraints;
- our highly leveraged capital structure and the effect of restrictive covenants in our debt instruments on our operating and financial flexibility;
- availability and adequacy of our cash flow to meet our requirements;
- actions by our domestic and foreign competitors;
- unplanned equipment failures and plant outages;
- costs of environmental compliance and the impact of governmental regulations;
- risks related to pending environmental matters, including the risk that costs associated with such matters may exceed our expectations or available insurance coverage, if any, and the risk that we may not be able to resolve any matter as expected;
- risks relating to our relationship with our current unionized employees and the possibility of future unionization at our Portland mill;
- changes in our relationship with our workforce;

- inability to satisfy regulatory requirements relating to internal controls over financial reporting;

- changes in United States or foreign trade policies affecting steel imports or exports; and

- other factors disclosed under "Risk Factors" in this prospectus and that may be disclosed from time to time in our SEC filings or otherwise.

All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We caution you that any forward-looking statement reflects only our belief at the time the statement is made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the shares of common stock we are offering will be approximately $111.0 million ($127.7 million if the underwriters fully exercise the over-allotment option). "Net proceeds" is what we expect to receive after paying the underwriting discount and other expenses of the offering. For the purpose of estimating net proceeds, we are assuming that the public offering price will be $15.64 per share (the closing sale price of our common stock on September 17, 2004).

We intend to use (1) approximately $62.6 million (assuming the offering price will be $15.64 per share) of the net proceeds to satisfy an obligation in connection with the settlement of the labor dispute with the Union and (2) approximately $35 million of the net proceeds to construct a spiral weld pipe mill at our Portland mill. We will use the remaining net proceeds for general corporate purposes, which may include capital expenditures, including completion of the conversion to the new furnace at the Pueblo mill, possible acquisitions of businesses, technologies, products or assets complementary to our business, funding of working capital, enhancement of liquidity, or reduction of debt. Although we currently have no commitments or agreements to make any additional material acquisitions, we may make acquisitions in the future. Pending our use of any excess proceeds, we intend to invest such excess proceeds of this offering in short-term, interest-bearing investment-grade or government securities.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2004:

- on an actual basis; and

- as adjusted to give effect to the sale by us of 7,500,000 shares of our common stock in this offering and our receipt of the estimated net proceeds therefrom.

You should read this table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	As of June 30, 2004	
	Actual	**As Adjusted(3)**
	(in thousands)	
Cash and cash equivalents	$ 52,958	$ 163,980(4)
Long-term debt (including current portion):		
10% First Mortgage Notes due 2009	$ 305,000	$ 305,000
Less unamortized discount on 10% First Mortgage Notes due 2009	(2,950)	(2,950)
Oregon Feralloy Partners Term Loan(1)	9,500	9,500
Total long-term debt (including current portion)	311,550	311,550
Stockholders' equity:		
Preferred stock, par value $0.01 per share; 1,000 shares authorized; none issued		
Common stock, $0.01 par value, 45,000 shares authorized, 26,656 shares issued and outstanding; 34,156 shares issued and outstanding as adjusted(2)	266	341
Additional paid-in capital	228,747	339,694
Accumulated deficit	(4,794)	(4,794)
Accumulated other comprehensive income (deficit)	(15,101)	(15,101)
Total stockholders' equity	209,118	320,140
Total capitalization	$ 520,668	$ 631,690

(1) Includes current portion of $2.0 million.

(2) Excludes (i) an aggregate of 612,718 shares subject to outstanding options under our 2000 Nonqualified Stock Option Plan of as of June 30, 2004 at a weighted average exercise price of $2.29 per share and (ii) an aggregate of 58,750 shares subject to outstanding options under our 2002 Non-Employee Director Stock Option Plan as of June 30, 2004 at a weighted average exercise price of $4.17 per share.

(3) Does not give effect to the exercise of the underwriters' over-allotment option.

(4) Includes approximately $62.6 million (assuming the offering price will be $15.64 per share), which we intend to use to satisfy an obligation in connection with the settlement of the labor dispute with the Union. See "Use of Proceeds."

PRICE RANGE OF COMMON STOCK

Our common stock trades on the New York Stock Exchange under the symbol "OS." The following table shows, for the quarterly periods indicated, the high and low prices for the common stock as reported on the New York Stock Exchange.

	Stock Price	
	High	**Low**
Year ended December 31, 2002		
First Quarter	$ 7.60	$ 4.70
Second Quarter	8.13	5.00
Third Quarter	7.46	5.62
Fourth Quarter	6.50	3.81
Year ended December 31, 2003		
First Quarter	$ 4.07	$ 2.08
Second Quarter	3.50	2.11
Third Quarter	3.55	2.53
Fourth Quarter	6.02	2.95
Year ended December 31, 2004		
First Quarter	$ 7.56	$ 4.84
Second Quarter	14.74	6.74
Third Quarter (through September 17, 2004)	17.76	12.32

On September 17, 2004, the closing price of our common stock on the New York Stock Exchange was $15.64 per share. As of June 30, 2004, there were 1,010 holders of record of our common stock.

DIVIDEND POLICY

We have not declared cash dividends on our common stock since the third quarter of 2000. The indenture under which our 10% First Mortgage Notes due 2009 were issued contains restrictions on new indebtedness and various types of disbursements, including common stock dividends. One of the restrictions on cash dividends is based on the cumulative amount of our consolidated net income, as defined. Under that restriction, there was no amount available for cash dividends at June 30, 2004. In addition, our revolving credit facility does not allow us to pay cash dividends without the approval from the lenders. See Note 5 to the Consolidated Financial Statements as of June 30, 2004 and "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources."

SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents our selected consolidated financial data as of the end of and for each year in the five-year period ended December 31, 2003, which have been derived from our consolidated financial statements that have been audited by KPMG LLP as of and for the year ended December 31, 2003 and PricewaterhouseCoopers LLP as of December 31, 2002 and for each of the four years in the period then ended. The table also presents our summary consolidated financial data for the six months ended June 30, 2004 and 2003, which are derived from our unaudited condensed consolidated financial statements which, in our opinion, reflect all adjustments necessary for a fair presentation. The consolidated balance sheets as of December 31, 2003 and 2002 and June 30, 2004, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years ended December 31, 2003 and the six months ended June 30, 2004 and 2003 and the notes thereto appear elsewhere in this prospectus. Results for the six months ended June 30, 2004 are not necessarily indicative of results for the full year. The selected consolidated financial data presented below should be read in conjunction with, and are qualified in their entirety by, "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and the notes thereto and other financial information included elsewhere in this prospectus.

	Six Months Ended June 30		Year Ended December 31				
	2004	2003	2003	2002	2001	2000	1999
	(unaudited)						
	(in thousands, except tonnage, per ton and per share amounts)						
Income Statement Data:							
Sales	$ 534,165	$ 365,576	$ 723,297	$ 904,950	$ 780,887	$ 672,017	$ 884,649
Cost of sales	427,372	359,607	713,601	783,940	694,941	619,016	756,461
Fixed and other asset impairment charges		36,113	36,113				
Labor dispute settlement charges	38,868		31,089				
Selling, general and administrative expenses	27,683	24,925	50,477	58,600	64,300	51,486	55,992
Settlement of litigation					(3,391)		(7,027)
Loss (gain) on sale of assets	(293)	(274)	(1,835)	(1,283)	(10)	(290)	501
Incentive compensation	5,088	339	354	3,761	244	698	10,540
Operating income (loss)	35,447	(55,134)	(106,502)	59,932	24,803	1,107	68,182
Interest expense	(17,029)	(16,561)	(33,620)	(36,254)	(35,595)	(34,936)	(35,027)
Minority interests	1,614	2,462	6,108	(3,036)	(339)	(7)	(1,475)
Other income, net	1,472	735	1,448	961	3,044	4,355	1,290
Income (loss) before tax	21,504	(68,498)	(132,566)	21,603	(8,087)	(29,481)	32,970
Income tax benefit (expense)	41	7,525	6,617	(9,244)	2,159	11,216	(13,056)
Net income (loss) before cumulative effect of change in accounting principle	21,545	(60,973)	(125,949)	12,359	(5,928)	(18,265)	19,914
Cumulative effect of change in accounting principle, net of tax				(17,967)			
Net income (loss)	$ 21,545	$ (60,973)	$ (125,949)	$ (5,608)	$ (5,928)	$ (18,265)	$ 19,914
Common Stock Information:							

	Six Months Ended June 30		Year Ended December 31				
Basic earnings (loss) per share	$ 0.81	$ (2.31)	$ (4.77)	$ (0.21)	$ (0.22)	$ (0.69)	$ 0.76
Diluted earnings (loss) per share	$ 0.81	$ (2.31)	$ (4.77)	$ (0.21)	$ (0.22)	$ (0.69)	$ 0.76
Cash dividends declared per share	$	$	$	$	$	$ 0.06	$ 0.56
Weighted average common shares and common equivalents outstanding:							
Basic	26,535	26,388	26,392	26,388	26,378	26,375	26,375
Diluted	26,704	26,388	26,392	26,621	26,378	26,375	26,375

	Six Months Ended June 30		Year Ended December 31				
	2004	2003	2003	2002	2001	2000	1999
	(unaudited)						
	(in thousands, except tonnage, per ton and per share amounts)						
Other Data:							
Capital expenditures	$ 9,461	$ 11,618	$ 19,754	$ 18,246	$ 12,933	$ 16,684	$ 15,908
Depreciation and amortization	19,499	21,691	40,809	45,868	46,097	46,506	47,411
EBITDA	58,032	(30,246)	(58,137)	85,758	73,605	51,961	115,408
EBITDA excluding effects of fixed and other asset impairment charges, labor dispute settlement charges, and settlement of litigation	$ 96,900	$ 5,867	$ 9,065	$ 85,758	$ 70,214	$ 51,961	$ 108,381
Total tonnage sold:							
Oregon Steel Division	447,200	364,800	740,700	947,000	829,700	871,500	969,800
RMSM Division	460,500	456,800	894,100	836,500	780,900	757,000	734,900
Total tonnage sold	907,700	821,600	1,634,800	1,783,500	1,610,600	1,628,500	1,704,700
Revenue per ton sold	$ 588	$ 445	$ 442	$ 507	$ 485	$ 413	$ 519
EBITDA per ton sold	$ 64	$ (37)	$ (36)	$ 48	$ 46	$ 32	$ 68
EBITDA excluding effects of fixed and other asset impairment charges, labor dispute settlement charges, and settlement of litigation, per ton sold	$ 107	$ 7	$ 6	$ 48	$ 44	$ 32	$ 64
Operating income (loss) per ton sold	$ 39	$ (67)	$ (65)	$ 34	$ 15	$ 1	$ 40
	As of June 30, 2004						
Balance Sheet Data (at end of period):	Actual	As Adjusted(1)					
Cash and cash equivalents	$ 52,958	$ 163,980(2)	$ 5,770	$ 28,008	$ 12,278	$ 3,370	$ 9,270
Net working capital	178,536	289,558	126,727	171,521	62,145	108,753	101,177
Net property, plant and equipment	482,189	482,189	477,581	523,378	551,054	583,875	613,363
Total assets	823,557	934,579	763,978	844,320	869,576	880,354	877,254
Long-term debt, including current portion	311,550	311,550	301,832	301,428	243,006	322,981	306,190
	209,118	320,140	187,252	306,990	318,586	331,645	352,402

	Six Months Ended June 30	Year Ended December 31
Total stockholders' equity		

(1) Gives effect to the sale by us of 7,500,000 shares of common stock in this offering (without giving effect to the exercise of the underwriters' over-allotment option), at the assumed public offering price of $15.64 per share and our receipt of the estimated net proceeds therefrom. See "Capitalization."

(2) Includes approximately $62.6 million (assuming the offering price will be $15.64 per share), which we intend to use to satisfy an obligation in connection with the settlement of the labor dispute with the Union. See "Use of Proceeds."

EBITDA, as used in the table above, is defined as the sum of consolidated net income (loss), consolidated depreciation and amortization expenses, consolidated interest expense, and consolidated income tax expense or benefit. This definition of EBITDA may not be the same as that of similarly named measures used by other companies or the definition used in any of our debt agreements.

We believe that EBITDA is useful to investors because it is a basis upon which we assess our financial performance, it provides useful information regarding our ability to service our debt, and because it is a commonly used financial analysis tool for measuring and comparing companies in several areas of liquidity, operating performance, and leverage. We believe EBITDA excluding effects of fixed and other asset impairment charges, labor dispute settlement charges, and settlement of litigation is useful to investors because we believe the excluded items are nonrecurring, except for additional labor dispute settlement charges that may occur based on the market value of our shares of common stock. See "Business Labor Matters." Therefore, we believe this financial measure is more useful to investors when comparing the reported results to previous periods.

Neither of these measures is determined in accordance with generally accepted accounting principles, are unaudited and should not be considered an alternative to, or more meaningful than, net income or income from operations, as an indicator of our operating performance, or cash flows from operating activities, as a measure of liquidity.

The following table provides a reconciliation of net income (loss) to (1) EBITDA and (2) EBITDA excluding effects of fixed and other asset impairment charges, labor dispute settlement charges, and settlement of litigation:

	Six Months Ended June 30		Year Ended December 31				
	2004	2003	2003	2002	2001	2000	1999
	(unaudited)						
			(in thousands)				
Net income (loss)	$ 21,545	$ (60,973)	$ (125,949)	$ (5,608)	$ (5,928)	$ (18,265)	$ 19,914
Income tax provision (benefit)	(41)	(7,525)	(6,617)	9,244	(2,159)	(11,216)	13,056
Interest expense, net	17,029	16,561	33,620	36,254	35,595	34,936	35,027
Depreciation and amortization	19,499	21,691	40,809	45,868	46,097	46,506	47,411
EBITDA	58,032	(30,246)	(58,137)	85,758	73,605	51,961	115,408
Add back (less):							
Fixed and other asset impairment charges		36,113	36,113				